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ABSTRACT

One of the working papers in the final report of the Arizona Board of Regents' Task Force on Excellence, Efficiency and Competitiveness examines the role of private fund raising in enhancing the excellence and competitiveness of Arizona's three public universities. National trends in university philanthropy are noted with a focus on state matching gift programs, historical fund raising comparisons of the three universities and their peers, and recommendations for enhancing future fund raising trends. Conclusions include: all three universities lag significantly behind their peer institutions in fund raising success; insufficient state funds exist to fund all universities' yearly requests for new or expanded programs; and the development staffs at the three unviversities have become increasingly productive over the last 5 years. Recommendations are as follows: the Arizona legislature should establish an Eminent Scholars Trust Fund that would match private gifts with new state funds or create endowments; they should also establish a Major Gifts Trust Fund to match private gifts on a formula basis with new state funds for the enrichment of key university programs; members of the Board of Regents should take a more active role in fund raising solicitations on behalf of the universities; and the universities should continue to increase the size of their development staffs, with such increases funded through state appropriations whenever possible. Seventeen tables and figures are included. (SM)

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THE ROLE OF PRIVATE FUND RAISING IN ENHANCING THE EXCELLENCE AND COMPETITIVENESS OF ARIZONA'S UNIVERSITIES

EDWARD JOHNSON

The most significant trend in American higher education fund raising during the past two decades has been the striking success of its public institutions in attracting private donations. Twenty years ago, public institutions received twenty percent of all gifts given to four-year institutions. They now receive thirty-three percent of all gifts. According to the U.S. Department of Education, private gifts now account for 3.2 percent of all public institution revenues.

The rationale for increased fund raising efforts by public institutions has been the clear recognition that private support makes the difference between a good university and an excellent one. The rising costs of operating and maintaining an excellent public university system with its multiple missions can no longer be met by state appropriations and tuition revenues alone. Arizona has proven to be no exception. The evidence presented in the Task Force final report shows that Arizona's universities are becoming more and more competitive on a national scale.

Dr. Edward Johnson, higher education administrator and attorney, is a staff member of the Arizona Board of Regents. He previously served as Director of Law, Science and Technology Programs at Arizona State University. His other administrative positions have included institutional development programs at public and private institutions. He served as Assistant to the Director and Staff Counsel for the Task Force on Excellence, Efficiency and Competitiveness.

Their success is due, in part, to the impact of private funds, particularly in the science and engineering fields.

The purpose of this working paper is to examine the role of private fund raising in enhancing the excellence and competitiveness of our three universities. The examination will focus on national trends in university philanthropy with a particular focus on state matching gift programs, historical fund raising comparisons of the three universities and their peers, and recommendations for enhancing future fund raising efforts.

ARIZONA TRENDS

All three Arizona universities have established foundations as their primary agencies through which gifts are given to the universities. The UA Foundation was established in 1958. As of June 30, 1987, its assets totaled approximately $55,571,035. The ASU Foundation was created in 1955 and has assets of approximately $17.5 million. The NAU Foundation began in 1959, and currently manages assets of approximately $4,139,361. Each foundation is a private, non-profit corporation with boards composed of prominent Arizona leaders. Each institution actively solicits alumni, nonalumni individuals, foundations, corporations and parents of

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students for funds through Annual Fund programs. Funds from those efforts are utilized by the universities for program enrichment beyond the state appropriations process such as scholarships, fellowships and research grants. Each university also conducts capital campaigns, generally for endowments and capital projects.

Each university also has a relationship with a university athletics foundation and numerous support groups including fine arts and liberal arts organizations.

In 1986-87 the three Arizona universities raised $60,566,654 in private funds from all of these efforts, which was approximately six percent of their total operating budgets. The University of Arizona (UA) raised $37,685,588; Arizona State University (ASU) raised $18,546,430; and Northern Arizona University (NAU) raised $4,334,636 (Figure 1.)

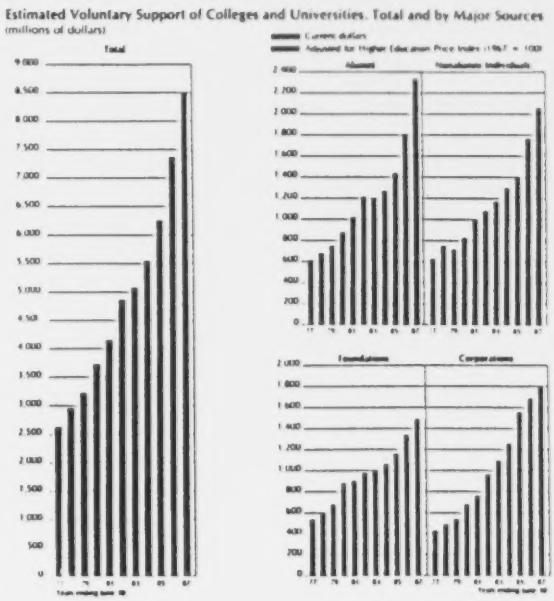
FIGURE 1

	Alumni	Nonalumni	Foundations	Corporations
UA	$427,160	$16,931,666	$4,935,554	$12,810,238
ASU	231,230	7,804,462	2,127,240	6,789,435
NAU	312,666	1,624,664	625,435	1,334,511

NATIONAL TRENDS

According to statistics compiled by the Council for Aid to Education (CFAE), private gifts to colleges and universities climbed $1.1 billion in the 1986-87 academic year to an all-time estimated high of $8.5 billion. The past decade has witnessed an average annual growth rate of 12 percent with steady increases in giving by alumni, nonalumni, foundations and corporations (Figure 2). CFAE has cited four trends which help explain the continuing success of educational fund raising efforts. The number of potential donors continues to

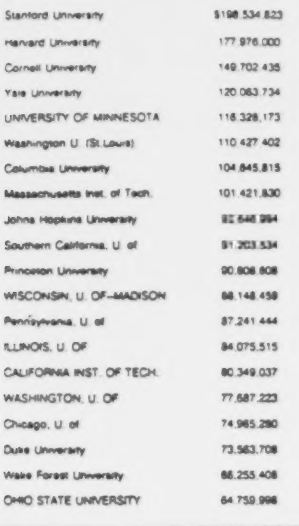
FIGURE 2



increase as the millions of alumni who attended in the late 1960s and 1970s become more capable of giving. All institutions have become more aggressive and more sophisticated in their fund raising. A booming stock market and generally favorable economic conditions have helped sustain individual giving. Finally, federal tax policy, at least through 1987, has encouraged additional giving.

Virtually all gains in voluntary support, at least during the past five years, have significantly exceeded the rate of inflation, whether measured by the Consumer Price Index (CPI) or the Higher Education Price Index (HEPI). During that time period, giving rose by 75 percent while inflation rose by 19 percent (CPI index) and 30 percent (HEPI). The result has been a rise of approximately 35 percent in the real purchasing power of private gifts.

FIGURE 3



Stanford University	$198,534,823
Harvard University	177,976,000
Cornell University	149,702,435
Yale University	120,063,734
UNIVERSITY OF MINNESOTA	116,328,173
Washington U. (St.Louis)	110,427,402
Columbia University	104,845,815
Massachusetts Inst. of Tech.	101,421,830
Johns Hopkins University	92,646,994
Southern California, U. of	91,203,534
Princeton University	90,808,808
WISCONSIN, U. OF--MADISON	88,148,459
Pennsylvania, U. of	87,241,444
ILLINOIS, U. OF	84,075,515
CALIFORNIA INST. OF TECH.	80,349,037
WASHINGTON, U. OF	77,687,223
Chicago, U. of	74,985,280
Duke University	73,563,708
Wake Forest University	66,255,408
OHIO STATE UNIVERSITY	64,759,998

FIGURE 4

SOURCES OF SUPPORT

Category	National	ASU	UA
Current Operations(Unrestricted)	5.8%	2.7%	.6%
Current Operations(Restricted)	57.1	58.2	78.1
Capital	13.6	25.3	15.3
Endowment(Unrestricted)	1.2	.1	0
Endowment(Restricted)	21.8	13.5	5.9
Loan Funds	.6	0	.0

FIGURE 5

Category	National	NAU
Current Operations(Unrestricted)	12.3%	3.6%
Current Operations(Restricted)	47.9	48.3
Capital	18.1	16.2
Endowment(Unrestricted)	2.6	26.0
Endowment(Restricted)	.3	.0

Fund raising comparisons among institutions must be made very carefully. The impact of a capital campaign or a single major gift to an institution can distort figures and result in inappropriate comparisons. Certain yearly and longitudinal ccmparisons can be helpful in ascertaining the competitiveness of our state institutions in attracting private gifts. In 1986-87 six of the top twenty national university leaders in fund raising were public institutions (Figure 3).

A comparison of UA and ASU with all public doctoral institutions responding to the 1986-87 CFAE Voluntary Support of Education Survey shows that UA received a much higher percentage of its funds for restricted current operations and a much lower percentage of restricted endowment funds than the national average. ASU received a much higher percentage of its funds for capital purposes (reflecting its capital campaign) and a much lower percentage for restricted endowment funds (Figure 4).

NAU received a much lower percentage of unrestricted current operations gifts than its public comprehensive institution counterparts. It received a much higher percentage of unrestricted endowment funds (Figure 5).

ASU and UA receive significantly more funds from nonalumni and significantly less funds from alumni than the national average. This largely attributable to the relatively young age of the majority of their alumni (Figure 6).

FIGURE 6

Sources of Support

Category	National	ASU	UA
Corporations	30.3%	36.6%	34.0%
Alumni	23.5	1.2	1.1
Other Individuals	18.9	40.9	45.0
Foundations	15.5	11.5	13.1
Other	11.4	9.7	6.6
Parents	.3	.1	.0
Religious Organizations	.1	.0	.0

FIGURE 7

Category	National	NAU
Corporations	32.7%	41.2%
Other Individuals	27.1	14.5
Alumni	18.6	9.7
Foundations	12.0	19.3
Other	7.9	13.4
Parents	1.7	1.9

NAU received a greater percentage of gift support from corporations and foundations than did their national counterparts. They also received a smaller percentage of gifts from alumni and nonalumni (Figure 7).

The 1986-87 national average alumni participation rates for gifts to public doctoral institutions was 18.5%. ASU and UA were well below that average at 6.8% and 5.4% respectively. NAU had an alumni partici-pation rate of 11.3 as compared to the 13.6% national average for comparable institutions.

Average gift totals were likewise significantly below the national average of $279. The average alumni gift to ASU was $25. The average alumni gift to UA was $63.02. The average alumni gift to NAU was $64.46 as compared to the national average for public comprehensive institutions of $100. The average amount of gifts received from corporate matching gift programs to public doctoral institutions was $351,212. ASU received $101,408 and UA received $153,026. The average amount of gifts received from corporate matching gift programs to public comprehensive institutions was $34,419. NAU received $33,841.

As noted earlier, institutional comparisons in fund raising success should also reflect multiple year efforts in order to minimize the impact of a single gift or a capital campaign. The three Arizona universities were compared with a group of their self-selected peer institutions (Figures 8 & 9).

FIGURE 8

UNIVERSITY OF ARIZONA PEERS

Institution	Avg. Yearly Fund Raising 1983-87	% Inc.	Funds Per FTE Fund Raiser	Endowment-Market Value-1987
Minnesota	$77,248,021	86	$2,788,718	$308,428,052
Illinois	67,976,636	72	8,407,551	141,270,100
Washington	53,020,205	155	3,377,705	232,420,000
UC-Berkeley	43,485,887	153	2,782,446	N/A
Michigan	55,343,791	21	N/A	332,264,192
Ohio State	37,726,896	221	1,012,031	253,176,609
Florida	37,122,785	78	1,469,600	126,382,484
Penn State	31,949,883	175	4,883,816	134,081,808
North Carolina	28,839,314*	101	2,397,184	124,200,279
ARIZONA	27,246,470	40	2,353,349	58,787,856
Colorado	24,055,798	73	2,735,109	43,027,690
Maryland	18,842,335*	N/A	1,228,200	81,936,568
Purdue	17,899,172	.2	1,458,824	120,717,240
AVERAGE	40,029,013	98	2,907,284	181,388,408

*three year avg.

The comparison shows that UA and ASU are approximately in the lower one-third of their peer groups. It is not unexpected that the endowments for the two institutions would also be quite small compared to institutions that have been raising funds for a much longer period of time. It must also be noted that UA has fifty-three percent les fund raising staff than its peer average. ASU has approximately twenty-five percent fewer staff than its peer average.

An examination of their 1987 athletic conference institutional statistics finds ASU & UA in the lower half, although the UA is fourth in funds raised per full-time equivalent fund raisers (Figure 10).

The Arizona universities were late starters in major development efforts as compared to other large universities. In most cases those institutions were able to capitalize on strong regional philanthropic traditions fostered through the historical successes of local private colleges and universities. Because there are few private colleges in the state, a tradition of giving to local educational institutions is still being developed. The institutions must also compete against the alma maters of our large number of in-migrants. It is estimated that at any one time, 125-150 colleges and universities are conducting or about to begin capital fund drives for at least $15 billion. The recent fund raising success enjoyed by the Arizona universities in their capital campaigns is impressive and bodes well for both the future development efforts and the competitive status of the institutions. However, the universities cannot rest on these laurels. A ten year examination of peer institutions shows that recent Arizona efforts have allowed our

FIGURE 9

ARIZONA STATE UNIVERSITY PEERS

Institution	Avg. Yearly Fund Raising 1983-87	% inc.	Funds Per FTE Fund Raiser	Endowment-Market Value-1987
Florida	$37,122,785	78	$1,469,600	$126,382,484
Indiana	36,558,378*	37	1,453,074	196,257,000
Penn State	31,949,863	175	4,883,816	134,081,808
Michigan State	28,756,383	57	N/A	39,876,688
Arizona	27,246,470	40	2,355,349	58,767,856
Iowa	24,899,738	85	N/A	117,060,867
VPI	20,463,088	143	3,608,421	84,900,000
Houston	19,108,479	53	1,907,305	61,241,013
Maryland	18,642,335**	N/A	1,228,200	61,936,568
Rutgers	16,755,066*	146	1,022,991	108,310,522
ARIZONA STATE	16,139,325	56	824,285	21,928,588
Pittsburgh	14,680,607*	41*	500,414	198,129,717
Connecticut	12,319,523	129	864,481	13,883,662
Oklahoma State	12,042,330	31	1,363,392	N/A
New Mexico	7,750,492	53	2,308,603	31,508,898
SUNY-Buffalo	7,379,166	108	N/A	124,884,048
AVERAGE	20,738,376	82	1,829,994	91,943,321

* 4 year average
** 3 year average

FIGURE 10

PACIFIC-10 CONFERENCE PEERS

Institution	Avg. Yearly Fund Raising 1983-87	% inc.	Funds Per FTE Fund Raiser	Endowment-Market Value-1987
Stanford*	$198,534,823	75	$2,647,130	$1,839,490,485
Southern Cal*	91,203,534	55	1,658,246	401,170,611
Washington	77,687,223	23	3,377,705	232,420,000
UC-Berkeley	63,996,262	23	2,782,446	N/A
UCLA	58,467,963	60	974,466	N/A
ARIZONA	37,685,588	15	2,355,349	58,767,856
ARIZONA STATE	18,546,430	22.5	824,285	21,928,588
Oregon State	17,598,440	15	1,173,229	25,637,379
Washington State	16,257,250	17	956,308	222,948,230
Oregon	10,956,819	28	391,314	31,380,813

institutions only to hold their own. They have not experienced gains relative to their peers.

ASU

ASU completed a five-year capital drive, The Campaign for ASU, on June 30, 1988. This was the first capital campaign in the university's history and was inaugurated during the centennial of the institution's founding. The Campaign exceeded its original $75 million goal and raised over $114 million which has been earmarked for endowed scholarships, chairs and professorships, academic programs and various other projects.

The following programs were funded through the campaign:

- **Scholarships, $12 million**

  The Campaign for ASU has created more than 100 endowed scholarships, with endowments ranging from $10,000 to $1 million.

- **Chairs and Professorships, $10.5 million**

  The Campaign has resulted in gifts and pledges totaling $7 million that will lead to the creation of seven endowed chairs in public policy,

FIGURE 11

NORTHERN ARIZONA UNIVERSITY PEERS

Institution	Avg. Yearly Fund Raising 1986-87	# Staff	Funds Per FTE Fund Raiser	Endowment-Market Value-1987
Delaware	$10,570,835	8	$1,321,354	$258,926,000
Vermont	8,916,624	12	743,052	66,179,000
Ohio	6,136,762	5.5	1,115,774	54,640,326
Miami	5,977,641	5	1,195,528	39,012,623
Cal St.-Fresno	4,639,122	4	1,159,780	9,658,802
Ball State	4,372,472	6	728,745	20,011,901
Bowling Green	4,120,285	5	823,057	13,155,194
Wyoming	3,992,618	6.5	614,249	47,329,000
UN-Reno	3,855,139	5	771,027	28,757,859
NAU	3,608,130	5	721,626	2,901,753
George Mason	3,035,676	5	607,135	2,114,086
Oakland	3,024,669	3.5	864,191	2,672,000
Central Florida	2,404,008	1	2,404,008	8,579,688
Old Dominion	1,990,708	10	199,071	16,573,318
AVERAGE	4,760,335	5.8	820,747	40,750,825

fine arts, liberal arts and other disciplines, including a Centennial chair that is to be designated by the president. Gifts and pledges totaling $3.5 million will enable the creation of 11 new endowed professorships in business, law and other areas.

- **Land, Construction and Buildings, $30 million**

  The Campaign has contributed substantially to the acquisition or construction of: the Fine Arts Complex; the Applied Sciences Building; Fletcher Library at ASU West Campus; the Law College expansion; the new Intercollegiate Athletics Building (at Sun Devil Stadium); renovation of the Fine Arts Annex; the ASU golf course; and Kerr Cultural Center.

- **Academic Programs, $25.5 million**

  Gifts and pledges have been raised to support the Flinn Lecture Series; six new teaching and service centers in the Seidman Institute in the College of Business (First Interstate Center for Services Marketing, Lincoln Center for Ethics, Hahn Center for Entrepreneurship, Center for Financial Systems Research, Arizona State Real Estate Center, Economic Outlook Center; the Cronkite Endowment; and the Engineering Excellence programs.

- **KAET, $12.5 million**

  The Campaign has raised more than $1.3 million in gifts and pledges for the KAET Endowment, and more than $10.7 million (as of April 15) for operations.

- **Teaching and Research Equipment, $10 million**

  Beneficiaries of The Campaign include the Center for Meteorite Studies and the Engineering Excellence Program, both of which received substantial donations of computers, laboratory equipment and other aids.

- **Disabled Students, $1 million**

  Gifts and pledges totaling more than $1 million have been designated for resources to help disabled students at ASU, including a scholarship bequest of more than $500,000.

- **General Operations, $12.5 million**

  Unrestricted monetary and in-kind gifts have been used for annual awards, graduate and teaching support, special projects and various friends and community support groups.

In addition, The Campaign for ASU has enhanced such valuable support organizations as the Dean's Council of 100 in the College of Business, the Economic Club of Phoenix and the Accounting Circle; the Council for Design Excellence in the School of Architecture; the Sundome Friends; ASU Friends of Music and ASU Library Associates.

Other specific gifts have included many works of art for the University Art Collections and a new broadcast van for KAET-TV.

UA

The University of Arizona is in the midst of its first comprehensive fund raising campaign in the university's history, the Century II Capital Campaign. The Campaign began in November, 1987 and will conclude December 31, 1992. To date, over $57 million has been received or pledged toward the announced goal of $100 million.The following programs will be funded through the Campaign:

- **Faculty Support, $15 Million**

  University Endowed Chairs,

  Distinguished Professorships,

  Visiting Professorships and

  Junior Faculty Development.

- **Student Support, $15 Million**

  Undergraduate Scholarships:

  Minority Scholars,

  Arizona Scholars,

  National Merit Scholars,

  University Scholars and

  Old Main Scholars;

  Graduate Fellowships:

  Corporate Partnership Fellows,

  Minority Fellows and

  Graduate College Fellows; and Dissertation Awards.

- **Special Research & Educational Programs: Endowment Opportunities, $20 Million**

INTERDISCIPLINARY PROGRAMS

The Arizona Institute for the Study of Complex Systems,

Arizona Research Laboratories (Divsion of Neurobiology)

The Biotechnology Center,

The Center for Insect Science,

The Center for Southwest Studies,

The Center for Toxicology,

The Desert Laboratory,

The Roy P. Drachman Institute for Land and Regional Development Studies,

The Environmental Research Laboratory and

The Udall Center for Studies in Public Policy.

COLLEGE AND LIBRARY PROGRAMS

Agriculture,

Architecture,

Business and Public Administration, Education,

Engineering and Mines,

Fine Arts,

Health Sciences,

Humanities,

Law,

Library Collections,

Science and

the Social and Behavioral Sciences.

- **NEW FACILITIES AND EQUIPMENT, $42 MILLION**

Mount Graham Observatory and Telescopes,

Business and Management Building, Student Recreation Center,

University Heart Center,

Children's Research Center,

Museum of Art,

Agricultural Biotechnology Building,

Department of Intercollegiate Athletics (Tennis Facilities and McKale Swimming Pool)

Equipment and

Concert Pipe Organ

- **Alumni Endowment, $5 Million**
- **Campus Enhancement, $3 Million**

NAU

NAU began its first capital campaign in 1987 with the inauguration of the Campaign for Old Main. The stated purposes of the Campaign are to provide financial support for the restoration of Old Main, to strengthen the liaison with alumni and friends, and to enhance the public image of the university. The goal is to enlist $500,000 in cash contributions and pledges by August 31, 1989. Total revenue pledged or paid as of August, 1988 is $126,439. The Campaign will be announced publicly when at least half of the goal is in-hand or pledged.

The case statements for all three campaigns note that at significant times in the past, contributions by private donors have provided the initial impetus or financial leverage necessary to accelerate the growth of the institutions'

finest and best known programs. It is clear that gifts obtained through these campaigns will continue that tradition. Perhaps more importantly, their successes will thrust them into the same fund raising echelon of institutions they have sought to compete with academically. The ASU and UA campaigns have clearly accomplished a number of goals which can help ensure their long term fund raising success:

1. The campaigns have refined or built comprehensive development programs with skilled staffs of professionals.

2. The campaigns have strengthened annual fund programs and refined major gifts programs that will continue following the campaigns' conclusions.

3. The campaigns have greatly expanded the institutions' bases of donors and trained volunteers.

4. Development plans integral to the academic missions of the institutions have been formulated.

5. Baselines have been developed for future strategic planning for the development programs in conjunction with university strategic plans.

6. The campaigns have rejuvenated and expanded the ASU and UA Foundation board of directors and strengthened their commitments to the universities.

STATE PARTNERSHIP MATCHING PROGRAMS

The resources required by the Arizona universities to continue to move up in national prominence are substantial. Hiring the best faculty and recruiting the best students is a competitive challenge with many public institutions that are raising large sums of private dollars to supplement state resources. Over the past decade there has been a growing national legislative trend in appropriating state funds to leverage additional private support to public universities. Typically these programs match private funds on a formula basis to establish endowed chairs and professorships. It appears that the next phase of these programs will expand to other program priorities such as scholarships and equipment. The details outlined in the Florida program noted later in this paper are typical of most efforts.

The rationale for these programs is now well-settled:

1. It is no longer possible for a university to attain excellence in a program strictly through state appropriations.

2. One method of assuring an excellent program is to attract excellent faculty. Top faculty are continually sought by other institutions. Attracting and retaining the best faculty requires competitive salaries, support personnel and equipment which often cannot be funded solely by state resources.

3. State matching fund programs demonstrate to potential donors that their gifts form a partnership with the state and their investment will be leveraged for a more significant impact. The programs also enable donors who are unable to fund an entire chair or professorship to meet university needs with the help of the state.

4. Adoption of the programs send a message to the universities and the public that the legislature is making a stronger commitment to fund excellence in its public institutions.

In the spring of 1988 a national survey of such programs was completed to document, for the first time, the scope of state matching funds efforts. The survey results showed that nearly sixty percent of the state legislatures now provide or will soon provide funds to match private gifts for endowed chairs at state universities.

Alabama

A $9 million state allocation to the state's eminent scholars initiative in 1985 has resulted in the creation of a $22.6 million fund through late 1987. The program makes state grants of $400,000 available to universities that secure private donations of $600,000. Twenty-five private gifts have been matched with an additional ten gifts waiting to be funded by the state.

Alaska

No formal matching funds programs exist. The concept of a program is being discussed within the system.

Arizona

In 1983 the state legislature amended the state land fund statute to permit matching funds for the interest earned on private funds donated to attract and retain eminent faculty in the disciplines of engineering, mathematics and science. To date there have been no program disbursements.

Arkansas

No formal matching funds programs exist. In January, 1989 the Board of Regents will proposed legislation to establish a $10 million fund for endowed chairs and professorships, research equipment and faculty development.

California

No formal matching funds programs exist.

Colorado

No formal matching funds programs exist.

Connecticut

In 1985 the legislature established an Endowed Chair Investment Fund. The state matches $500,000 private gifts on a dollar-for-dollar basis. The chairs must be located within Centers of Excellence as chosen by the universities.

Delaware

No formal matching funds programs exist.

Florida

The Eminent Scholars Program was created in 1979. The state contributes $400,000 for each $600,000 raised through private donations. A new program provides for increasing state matching funds for chairs up to a maximum 100% match for a $2 million gift.

In 1986 the legislature approved a Trust Fund for Major Gifts which provides for a fifty percent match of $100,000 private gifts for endowed professorships, library

resources, scientific and technical equipment and scholarships.

In 1986 the legislature also approved a Trust Fund for New Donors which provides a $10 endowment grant for each new donor of $20 or more to a university. Funds can only be expended for support of academic programs, nonathletic scholarships or libraries.

Georgia

The Georgia Eminent Scholars Endowment Trust Fund was adopted by the legislature in 1985. A sum of $1 million or more is required to endow a chair which requires three private dollars for each state dollar match. More than one donor can contribute to a chair.

Hawaii

No formal matching funds programs exist.

Idaho

No formal matching funds programs exist.

Illinois

No formal matching funds programs exist.

Indiana

In 1985 the legislature approved endowment funds for 24 distinguished professorships at Purdue University which must be matched equally by private donations. In 1987 the legislature appropriated an ongoing program to fund 5 distinguished professorships including support costs.

Iowa

In 1987 the legislature approved the use of a portion of state lottery revenues for grants to encourage research at public and private universities in the state. One type of eligible project is the endowment of faculty chairs in selected areas. In the first year, six grants were awarded for endowments of $500,000 and up which must be matched dollar for dollar from university, private, foundation or other sources.

Kansas

No current matching funds programs current exist.

Kentucky

The state legislature has provided funding for five endowed chairs at the state universities which required a match from private gifts.

Louisiana

In 1983 the legislature approved the creation of an Endowment Trust Fund for Eminent Scholars. The Act directs that the Board of Regents allocate the grants of $400,000 for each $600,000 gift received. Only the interest may be expended.

Maine

No formal matching gifts programs currently exist.

Maryland

The Board of Regents anticipates requesting funds from the legislature for programs in the next two years.

Massachusetts

No formal matching funds programs exist.

Michigan

No formal matching funds programs exist.

Minnesota

A proposal for the establishment of a matching funds program is before the legislature.

Mississippi

No formal matching funds programs exist.

Missouri

A proposal for the establishment of a matching funds program is before the legislature.

Montana

No formal matching funds programs exist.

Nebraska

No formal matching funds programs exist.

Nevada

Within the last two years the legislature has transferred refunds on estate taxes to the universities and K-12 system for incentive programs. The universities may apply for matching endowment funds for chairs.

New Hampshire

No formal matching funds programs exist.

New Jersey

The state currently contributes to the endowment of five chairs through a total appropriation of $335,000.

New Mexico

In 1984 the legislature established a Higher Education Endowment Act which appropriated $5.5 million for endowments for chairs, professorships, lectureships and graduate fellowships. Grants under the Act must be matched dollar for dollar by private gifts.

New York

In 1983 the legislature established a program for high technology skills training which matches corporate gifts. The state legislature does not current provide matching funds for endowed chairs but has funded ten Distinguished Regents Chairs at $100,000 each since 1964 which are competitively awarded to the state's public and private institutions.

North Carolina

In 1985 the legislature approved a Distinguished Professors Endowment Trust Fund. Each institution must raise $334,000 or $666,000 in donations to qualify for one-third additional matching funds. Sixteen positions are being created from the initial funding cycle.

North Dakota

During the 1989 legislative session the state universities will seek $3 million for Partnerships to Enhance Academic

Quality. The program will seek proposals which cross institutional lines, which seek to improve academic quality and which offer the strongest potential for matching funds from private sources. Institutional proposals are now being readied in anticipation of funding.

Ohio

In 1984 the legislature established the Ohio Eminent Scholars Program with a $4.5 million appropriation. A $500,000 award of state funds must be matched by an equal amount of university funds which may be private gifts. Eighteen chairs were established in the first two years.

Oklahoma

The Board of Regents has submitted legislation for the establishment of an eminent scholars and centers of excellence program and funding in the amount of $20 million. The program would required a dollar for dollar match from the private sector.

Oregon

No formal matching funds programs currently exist.

Pennsylvania

No formal matching funds programs currently exist.

Rhode Island

No formal matching funds programs currently exist.

South Carolina

The Commission on Higher Education has requested state matching funds for endowed chairs in its upcoming budget.

South Dakota

The legislature provides matching money for research equipment purchases. A proposal for challenge funds to match gifts for endowed chairs is currently before the legislature.

Tennessee

The Tennessee Chairs of Excellence Program is currently funded at a level of $30 million. Institutions are required to match the grants with private funds of an equal amount.

Texas

From 1981-1983 the legislature appropriated matching funds for private gifts for endowed chairs, professorships, fellowships and lectureships. Following the expiration of the program the Board of Regents continued the program with a two-for-one match. That program has now expired. In 1987 a scholarship endowment matching program was created with requires a $25,000 gift which will be matched two-to-one.

Utah

In 1986 the legislature began funding the state's Centers for Excellence Program which was modeled after the National Science Foundation's University-Industry Cooperative Research Centers Program. University-based researchers are invited to make proposals to establish a center of cooperative interdisciplinary applied research and development. Specifying the areas of research, the nature of industrial support and the expected impact on the Utah economy is required. Each center must attract at least two dollars from private or federal sources for every dollar of state funds received and must develop a plan to become self-

supporting within three to five years. To date twenty-two centers have been approved. One hundred and twenty-two companies have provided matching funds and early results show that $15.40 in private dollars have been provided for each state dollar.

Vermont

No formal matching funds programs currently exist.

Virginia

In 1964 the general assembly established the Eminent Scholars Program which provides for salary supplements funded from endowment income and matching general fund appropriations. The highest matching rate achieved in state funds has been dollar for dollar. For 1988-89 the appropriation is $5.6 million.

Washington

In 1985 the legislature enacted the Distinguished Professorship Trust Fund Program which provides a matching grant program to assist institutions in creating endowments for professorships. An initial $750,000 appropriation created three positions which was supplemented in 1987 with a $5 million appropriation for twenty additional positions. An institution may request a position when it has raised $250,000 which will then be matched with a like amount from the state.

West Virginia

In 1985 the legislature established the Eminent Scholars Trust Fund, a corporation whose board is composed of the members of the Board of Regents. The Corporation is authorized to receive appropriations of public money as well as public or private grants, gifts or bequests. For 1985-86 the state appropriated $100,000 to match private gifts for endowed chairs up to a dollar for dollar match to reach the $150,000 requirement for each salary supplement. An additional Distinguished Professorship Trust Fund bill is currently pending in the legislature.

Wisconsin

In 1986 the legislature approved funding for the Applied Research Program which is designed to foster research having ultimate benefits to the state's economy. A sum of $200,000 was appropriated as matching funds with a $40,000 limit on each project unless private matching funds are obtained. In addition a Wisconsin Distinguished Professors Program has been established which recognizes contributions to the state's economy and requires $25,000 in private support annually to be combined with a $250,000 match from the state.

Wyoming

No formal matching gifts programs currently exist.

THE FLORIDA EXPERIENCE

With sixty percent of the states adopting or on the verge of adopting state matching programs, it is somewhat problematic to single out any given program for evaluation. However, following discussions with several state higher education executives, it is clear that Florida is viewed as the leader in such programs. Florida has nine public four year institutions: University of Florida, Florida State, Florida A&M, University of South Florida, Florida Atlantic, University of West Florida,

University of Central Florida, University of North Florida and Florida International. Enrollments range from 5,000 to 36,000.

A three year legislative process concluded in 1979 with the passage of the state's first Eminent Scholars Act and an initial $500,000 appropriation. The two stated purposes for the Act were "to strengthen the universities by making it possible to add distinguished scholars to their faculties; and to promote future excellence in the state universities by stimulating private support from both citizens and organizations." By the end of 1988 the total state investment in partnership programs will reach $48,588,426, with ninety percent of that funding for the Eminent Scholars Act.

Under the Act an endowed chair in the amount of $1M may be established when a Florida university Foundation raises at least $600,000 in private funds and those funds are matched by $400,000 from the Florida Endowment Trust Fund for Eminent Scholars, the repository for the state appropriations and lottery proceeds which fund the programs.[Florida has nine public four year institutions: University of Florida, Florida State, Florida A&M, University of South Florida, Florida Atlantic, University of West Florida, University of Central Florida, University of North Florida and Florida International. Headcount enrollments range from 5,000-36,000.]

Under subsequent legislation, a sliding scale matches gifts of up to a maximum of $1M, which receives a $1M state match. A donor may pledge the minimum $600,000 over a five year period. The university can encumber the matching funds upon receipt of the first $100,000 with the balance due in five years. A report from the State Auditor General noted that the average payment of deferred pledges was sixteen months. The state returns the interest earned on appropriated funds not yet encumbered to the program which has resulted in additional funds for twelve chairs.

Once the private funds are in hand, the entire amount is transferred to the applicable university foundation to be administered by their board for the support of the Eminent Scholars Chair. There are no restrictions as to the nature of contributions except that they must be converted to cash for the foundation to request the release of state funds. There are no state restrictions upon the foundation or a university with reference to the naming of the chairs. Funds are generally utilized for salaries, graduate assistants, office renovation and computer time and supplies.

There can be no question that the Eminent Scholars Act has proven to be successful. As of February 29 a total of 133 chairs had been fully funded, encumbered or were in progress (Table 12). Funds are available to each campus on a "first come, first served" basis which has resulted in the seven smaller campuses receiving forty-five percent of the chairs. Medicine and business have received forty-six percent of the funded and encumbered chairs but seventeen other disciplines have also received chairs (Table 13). There is currently a waiting list to match pledges received by donors.

Florida officials believe the programs have achieved one intended goal of developing an increased recognition around the country that the Florida universities are serious about becoming one of the best systems in the country. A recent U.S.News and World Report poll of higher education officials listed the Florida system as one of the top ten

systems in the country, a fact which Florida officials see as symbolic evidence of their message being received.

The program has resulted in increased gifts to the university as evidenced by the fact that each campus has met the mandate of the statute which requires that in order to participate in the program, each campus must receive contributions for other purposes which meet or exceed the total average level of contributions made in the three years prior to the inauguration of the program. Indeed the campuses report that most of the over $50,000,000 donated to the program has been from donors not previously contributing to the universities. Florida university officials report that the fund investment responsibilities assigned to the university foundations have revitalized their boards, which are responsible for maximizing the endowment income available for the chairs.

The major problem facing the program has been the filling of funded positions. Forty-five percent of the first sixty-six are were not filled as of February 29 (Table 14). Florida Board of Regents officials attribute this situation to several factors. The intent of the program is to attract nationally and internationally acclaimed scholars which is a difficult, long term process. It is anticipated that many cultivation efforts will take two to three more years. The program is not intended to retain current faculty as there are other programs with that goal. It is anticipated that additional campus construction will solve the lack of laboratory space which has hindered search efforts. Finally, the endowment incomes have not always been sufficient to provide a sufficient salary add-on to attract the best candidates. The $2M "Super Chair" matching fund was created to solve that problem.

Encouraged by the success of the Eminent Scholars Program the legislature created a Major Gifts Program in 1985. The objective of the program is to create endowments to for professorships (support for faculty lines already created), library resources, scientific and technical equipment and scholarships other than athletic. This program has been funded with $4,000,000 in out-of-state tuition revenue. As of February 29, 1988, the state universities had received pledges to qualify for ninety-eight matching grants under the program (Table 15). Thirty-nine percent of the initial grants have gone to the two largest universities. The majority of the early grants were for scholarships/fellowships and endowed professorships in the arts and sciences, business and areas designated by the universities themselves (Table 16). University development officers believe that a significant benefit of the program is that funds can be raised by colleges and departments that are not high on the list for improvement through state appropriations.

Also in 1985 a Trust Fund for New Donors was established by statute. This fund provides $10 to each university for every new donor gift of $20 or more. Funds are placed in a restricted endowment to be expended exclusively for the support of academic programs, nonathletic scholarships or libraries as determined by each university president. As of June, 1987 the universities had received qualifying gifts from 33,562 new donors (Table 17). The intent of the program is to develop a tradition of giving among younger alumni, many of whom will contribute significantly in later years.

It is estimated that approximately 150 endowed chairs have been established nationally through state matching programs. It is estimated that another 500 chairs may be established in the next ten years. The primary Arizona response to this competitive challenge has been twofold. As noted earlier, in 1983 the Arizona Legislature amended ARS 15-1663 to provide for a matching grant fund which consists of the "annual income from the universities' land fund in excess of the amount of the base fund" for endowed chairs in certain disciplines. However, because those funds would otherwise be utilized for university base budgets, the bottom line of the program is a "zero-sum game" and no funds request from any of the universities has been made to date.

Second, in 1986 the Board of Regents approved the title, Regents Professor, to designate scholars of exceptional ability who have achieved national and international distinction. The title can only be granted to tenured faculty members who already hold the title of professor at one of the three institutions and is limited to no more than one percent of the number of full-time and tenure-track faculty. Regents professors receive a $5,000 salary increment added to their base salary and an annual $10,000 stipend for scholarly activities. While the program will assist the universities in retaining top faculty, it does not provide for resources to attract top out-of-state scholars nor does it assure that other states will not successfully recruit our top faculty through higher compensation and academic support from their state matching fund endowments.

CONCLUSIONS

1. Arizona's public universities have made significant recent strides to strengthen their private fund raising efforts which are beginning to develop a tradition of contributing to public higher education in Arizona.

2. All three universities lag significantly behind their peer institutions in fund raising success. The evidence suggests this is the result of a relatively late start in comprehensive fund raising efforts and a lack of a strong philanthropic tradition that exists in other regions of the country but has yet to develop in Arizona.

3. The expansion of state matching gift programs is a significant trend that may make it more difficult for Arizona universities to attract and retain scholars with national and international reputations.

4. Insufficient state funds exist to fund all universities' yearly requests for new or expanded programs. (See Task Force working paper, Arizona University Program Changes: Nine Year Summary: FY 1981-FY 1989, Caldwell, Roger). A partnership opportunity exists to match state investments with private funds in high priority programs to maximize the total state funds available for those programs.

5. The development staffs at the three universities have become increasingly productive the last five years. The increased use of state supported lines for staff rather than local or other funds would permit the universities to develop long range staffing plans.

RECOMMENDATIONS

- The Arizona Legislature should establish an Eminent Scholars Trust Fund that would match private gifts with new state funds on a formula basis to create endowments for selected eminent scholars in priority areas of emphasis and fund necessary equipment and support for them.

- The Arizona Legislature should also establish a Major Gifts Trust Fund that would match private gifts on a formula basis with new state funds for the enrichment of key university programs in areas such as professorships, library resources, scientific and technical equipment and scholarships. The Board should seek assurances from the Legislature that appropriations for these two Trust Funds would not come at the expense of current and increased appropriations for other university programs. Alternatively, the Board should seek funding for the Trust Funds from alternative sources, such as lottery funds.

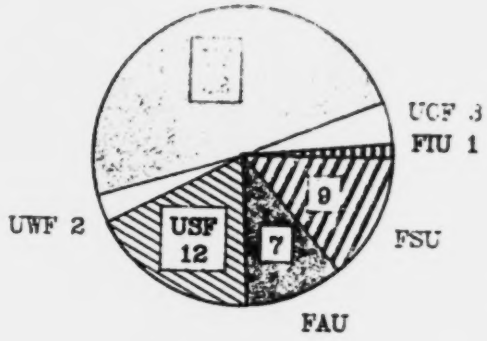
- Members of the Board of Regents should take a more active role, when requested and where appropriate, in fund raising solicitations on behalf of the universities.

- The universities should continue to increase the size of their development staffs and increases should be funded through state appropriations whenever possible.

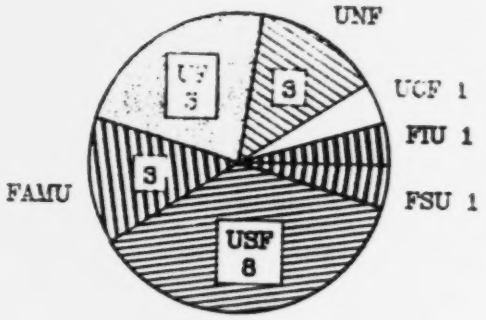
TABLES AND FIGURES

TABLE 12

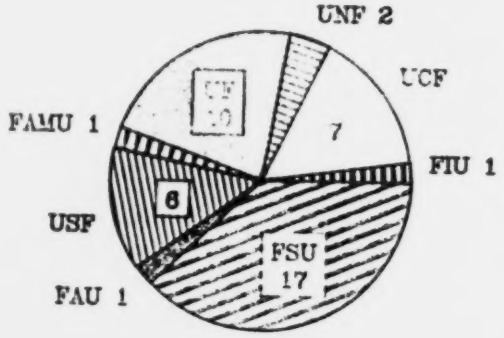
SUMMARY
EMINENT SCHOLARS PROGRAM
February 29, 1988



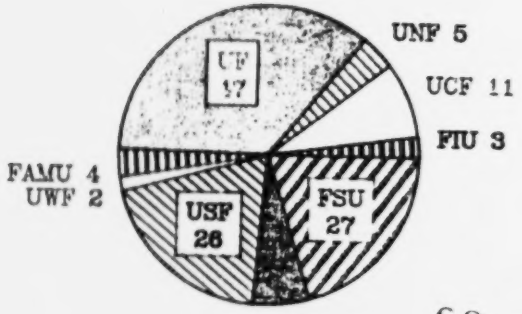
FULLY FUNDED - 66



ENCUMBERED - 22



IN PROGRESS - 45 *



TOTAL - 133

22

23

* 14 IN PROGRESS WILL BE ENCUMBERED UPON RECEIPT OF LOTTERY PROCEEDS

1380

TABLE 13

EMINENT SCHOLARS PROGRAM
Fully Funded and Encumbered Endowed Chairs
By Discipline
February 29, 1988

DISCIPLINE	CHAIRS
Agriculture/Agribusiness	7
Architecture	2
Business	24
Communications	2
Computer and Information Sciences	1
Dentistry	1
Education	2
Engineering	4
Home Economics	1
Law	6
Liberal Arts	2
Life Sciences	4
Medicine	23
New College	1
Nursing	3
Pharmacy/Pharmaceutical Sciences	1
Social Sciences	9
Veterinary Medicine	2
Visual and Performing Arts	7
TOTAL	102

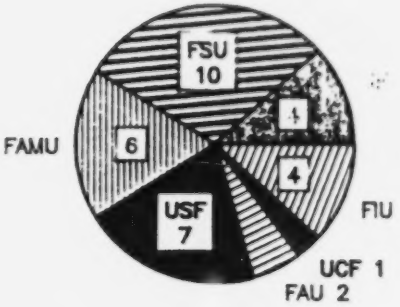
TABLE 14

EMINENT SCHOLARS PROGRAM
Fully Funded Endowed Chairs
By Discipline
February 29, 1988

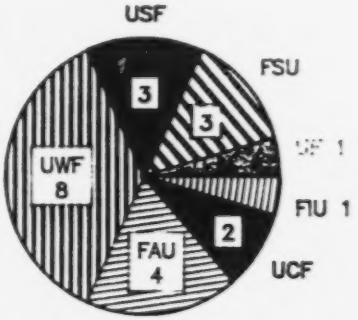
DISCIPLINE	CHAIRS FUNDED	CHAIRS FILLED
Agriculture/Agribusiness	5	3
Architecture	1	0
Business	14	8
Communications	1	1
Computer and Information Sciences	1	1
Education	1	1
Engineering	3	1
Home Economics	1	1
Law	4	0
Liberal Arts	2	1
Life Sciences	3	3
Medicine	17	7
Nursing	3	0
Social Sciences	4	3
Veterinary Medicine	1	1
Visual and Performing Arts	5	5
TOTAL	FUNDED 66	FILLED 36

TABLE 15

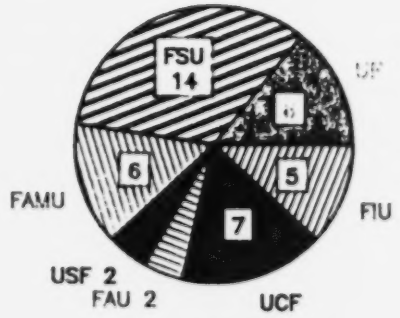
SUMMARY
MAJOR GIFTS PROGRAM
February 29, 1988



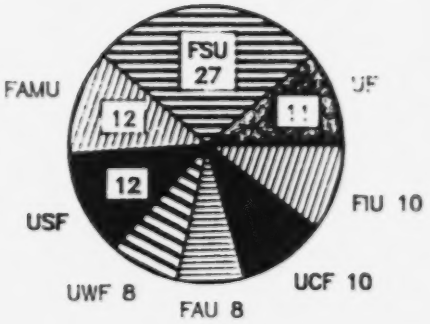
MATCHED - 34



ENCUMBERED - 22



• IN-PROCESS - 42



TOTAL - 98

• IN PROCESS INCLUDES 18 AWAITING ENCUMBRANCE AUTHORITY

TABLE 16

MAJOR GIFTS PROGRAM
Number of Funded Grants
February 29, 1988

BY ACADEMIC AREA

Arts and Sciences	9
Business	10
Music	2
Undesignated	10
Nursing	1
Building Construction	1
Rotate Among Disciplines	1
TOTAL	34

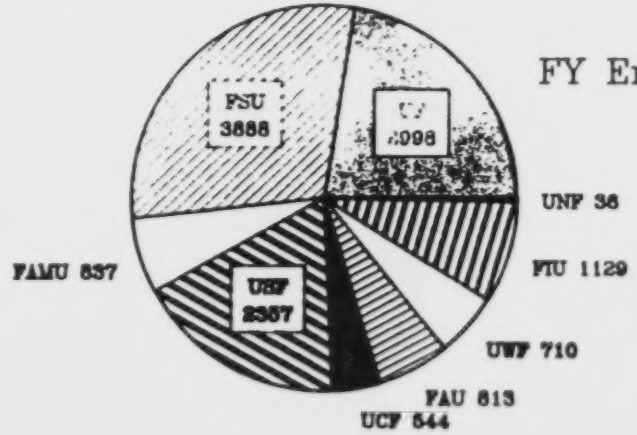
BY PURPOSE

Endowed Professorships	11
Scholarships/Fellowships	19
Library Resources	1
Equipment	3
TOTAL	34

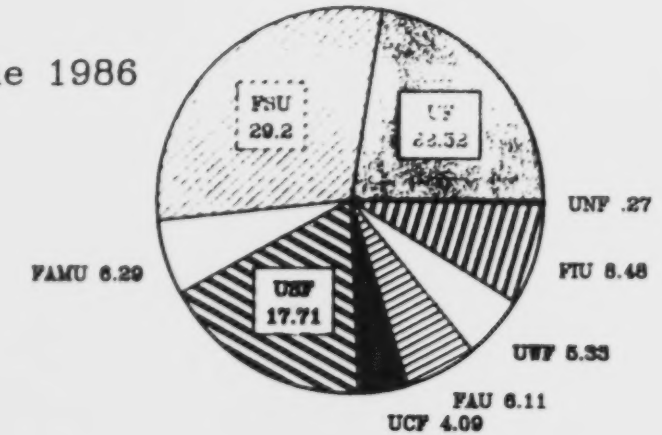
TABLE 17

SUMMARY
NEW DONORS PROGRAM

FY Ending June 1986

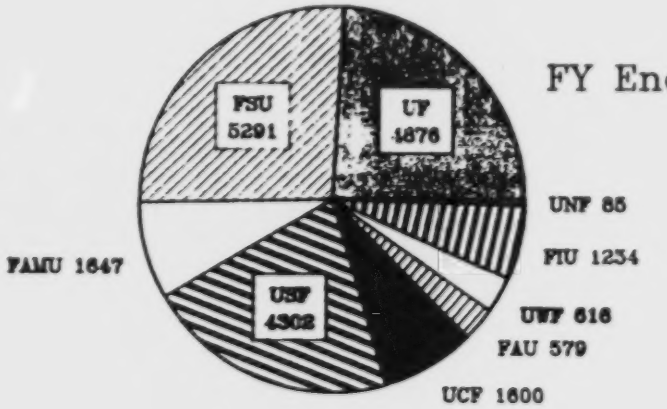


NUMBER OF DONORS - 13,312

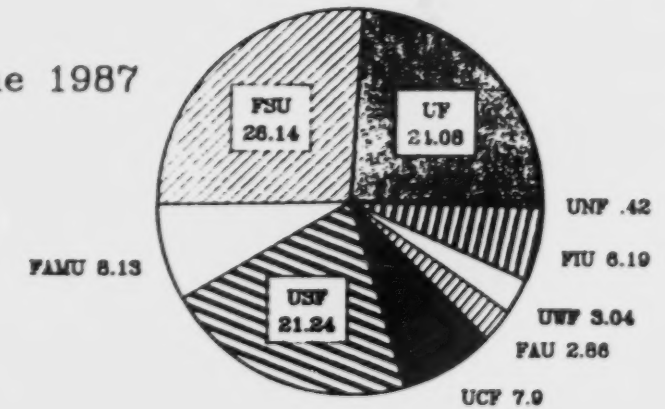


PERCENT OF TOTAL

FY Ending June 1987



NUMBER OF DONORS - 20,250



PERCENT OF TOTAL

1385

28

29